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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000488

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SUBJECT: THE BURMA-THAI BORDER TRADE CHRONICLES: PART I,
THE SOUTHERN FRONTIER

REF: A. RANGOON 138 AND PREVIOUS

1B. 03 RANGOON 1552
1C. 03 BANGKOK 7434

Classified By: DCM Ron McMullen for Reasons 1.4 (B,D)

¶1. (C) Summary: A recent joint visit by Bangkok and Rangoon Econoffs to Ranong and Kawthaung, along the southern Burmese-Thai border, shows business as usual in the informal movement of goods and people. However, the formal economy on both sides is sluggish due to the continued ban on Thai fishing in Burmese waters and the Burmese government's perpetually capricious economic policies. For Kawthaung (Burma), economic activity from the southern border trade continues to provide critically needed goods, and the border crossing remains an important outlet for workers from the interior seeking better economic opportunities in Thailand and Malaysia. In Ranong (Thailand), locals are giving up on Burma and looking regionally for their economic future. End summary.

Waiting for Fish: Ranong

¶2. (U) To assess the current environment along the Thai-Burma border, Bangkok and Rangoon Econoffs traveled March 15-19 to two major border trade points -- Ranong (Thailand) and Kawthaung (Burma) and Mae Sot (Thailand) and Myawaddy (Burma; septel). Separated by a wide river mouth on the Andaman Sea, Ranong and Kawthaung are tied together by the fishing industry and modest amounts of legal and illegal trade. According to Ranong Fisheries Association sources, more than 2,000 fishing boats (of various sizes) call Ranong home despite the fact that rich Burmese territorial waters have been off-limits to Thais for several years. Local businesspeople still blame the previous Thai Prime Minister Chuan Leekpai whose tough Burma policy led to the Burmese regime's cut off of Thai access to Burmese waters. Other Thai fishing industry sources blame overzealous Thai fishermen for decimating Burmese fish stocks in the 1990s, which led to a permanent Burmese crackdown.

¶3. (SBU) Whatever the reason, the fishing ban is slowly strangling Ranong's once vibrant commercial fishing and processing industry. Local Thai waters are not as rich, and severe responses by the Burmese Navy to poaching -- 40 Thai boats were seized in 2003 -- discourage poaching in Burmese waters. While a few fish processing plants remain, they buy much of their raw materials from Songkhla and other fishing grounds to the south to supply the domestic market.

¶4. (C) Border trade between the two countries is steady, but stifling GOB import controls and foreign exchange laws prevent it from booming. This environment keeps traders on their toes and requires creativity in sourcing and methods. The local Thai Customs chief noted that when the Burmese regime closed the border for trade in May 2002, Chinese products replaced Thai goods in Kawthaung's markets. Ranong Chamber of Commerce officials told us they would never invest in Burma because of its unstable business environment, and that trade is only possible on a small scale between "friends." A Burmese border trader agreed, saying only a small group Burmese businessmen in Kawthaung can thrive on trading with Ranong, using small boats to import consumer goods and diesel fuel -- usually illegally -- and export foodstuffs.

¶5. (SBU) Ranong's business community, and local RTG officials, say the future of Ranong is as much or more regional than bilateral. There is a vision of a major 20,000 ton-per-year port at Ranong that would serve as Bangkok's access to the Andaman Sea and points west. There is also hope that the touristic development of Burma's untouched Myeik Archipelago (800 islands lying offshore of Kawthaung and north) will be a boon for Ranong's hotels, boat operators, and tour guides.

Tourism and Palm Oil: Kawthaung

¶6. (C) In Kawthaung, Burma's southernmost point, local

businesspeople are rather pessimistic about the town's economic future. Its proximity to Thailand and Malaysia, and the number of small craft that ply the coastal waterways, will always ensure its role as a border trading and smuggling center and a mustering area for illegal migration to Thailand and Malaysia. However, Kawthaung's lack of infrastructure and neglect by the GOB will likely retard any major development (such as tourism or fisheries).

17. (C) A major GOB campaign underway north of Kawthaung is the development of large import-substituting palm oil and rubber plantations. Small businesspeople with whom we spoke supported the program, wherein the GOB will give low-interest loans and other assistance to set up these farms. However, this will be a crony-dominated program though larger, more savvy entrepreneurs admitted they were dubious that the government would ultimately prove a reliable consumer, at a fair price, of the end product.

Comment: Diverging Priorities

18. (C) Action along the Ranong-Kawthaung border, while relatively sleepy, illustrates several national trends. Particularly we saw in action the chilling effect on legal commerce of the Burmese regime's capricious and often punitive policies. Fortunately for local businesspeople, their close historical personal ties allow a continuation of trade on the informal level. However, this is no way to sustainably expand cross border economic ties. Sadly the Burmese business community is helpless to improve its lot. However local Thai entrepreneurs can and are moving on, looking elsewhere for their economic future. End comment.

19. (U) This is a joint Embassy Rangoon-Embassy Bangkok cable.
Martinez